THE FOREST INDUSTRY SNAPSHOT:

Ministry of Forests, Lands and Natural Resource Operations

October 2011

A Selection of Monthly Economic Statistics

BRITISH COLUMBIA

Points of interest:

Canada Became No.1 Supplier of Lumber to China

In the first eight months of 2011, Canada (over 95% from B.C.) surpassed Russia and became the largest supplier of lumber to China. China's total lumber imports increased dramatically from 6.1 million m^3 in 2006 to 14.7 million m^3 in 2010. It further increased 56.2% to 14.1 million m^3 in the first eight months of 2011 from 2010 YTD. Canada's share of China's lumber imports increased from 6.6% in 2006 to 27.3% in 2010, and further to 31.6% in 2011 YTD.

China's total log imports totalled 32.2 million m^3 in 2006, with only 0.3% from Canada; In 2010, China's total log imports increased to 34.3 million m^3 with 3.4% from Canada. In the first eight months of 2011, China's log imports totalled 28.3 million m^3, up 24.7% from 2010 YTD, and Canada (over 95% from B.C.) accounted for 5.4% of China's total log imports in 2011 YTD (*sources: Wood Markets*).

Pulp Market Updates

The latest World-20 statistics released by the *Pulp & Paper Products Council* show softwood pulp inventories tightening to 32 days' supply in September, following strong shipment volumes led by heavily discounted spot shipments to China. NBSK prices have been declining since their peak in June, with North American prices now at US$920 per tonne, Europe at US$870 and China at US$685 (*as of Nov. 25, 2011*). Analysts expect to see additional downward pressure on pricing through the 4th quarter, and then for pricing to firm again near the end of the year/early 2012 (*source: Salman Partners & FOEX Indexes Ltd*).

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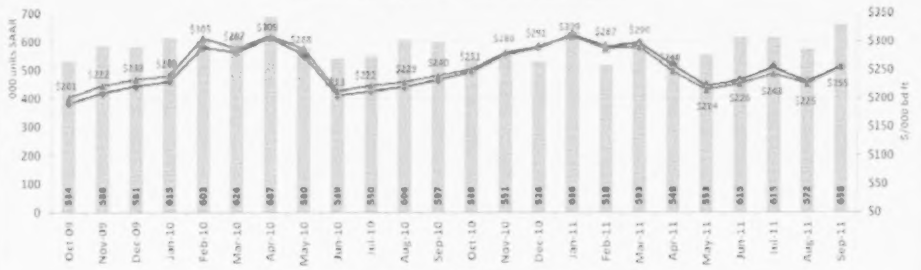
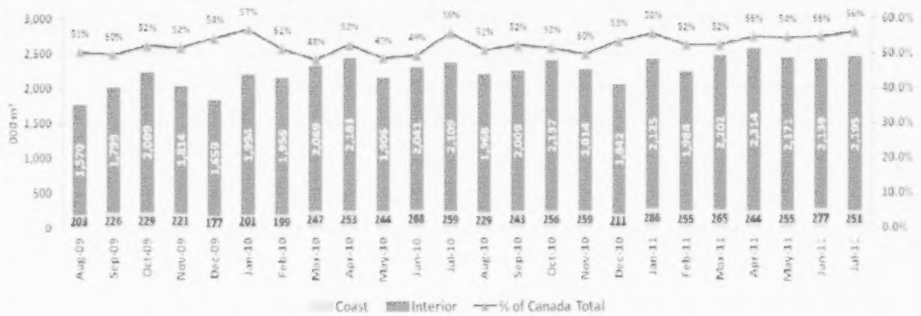
SOFTWOOD LUMBER MARKET

U.S. Housing Starts* and SPF 2x4 Prices



B.C. Softwood Lumber Production and Share of Canada Total



Data sources: Madison's, US Census Bureau and Statistics Canada. * privately-owned housing starts, seasonally adjusted annual rate (SAAR)

- **U.S. privately-owned housing starts** in September were at a seasonally adjusted annual rate of 658,000. This is 15.0% above the revised August rate, and is 10.2% above the September 2010 rate. **Sales of new homes** including new and existing homes in the U.S. were at a seasonally adjusted annual rate of 295,000 in August 2011, down 2.3% M/M and up 6.1% Y/Y. U.S. seasonally adjusted unemployment rate was 9.1% in September 2010, down from 9.6% one year ago. (*from U.S. Census Bureau and U.S. Bureau of Labour Statistics*).
- **SPF 2x4 price increased to US$254** ($255) in September 2011, up 11.1% M/M and up 9.7% Y/Y. The Canadian dollar averaged $1.0012 per US$ in September 2011.
- In July 2011, **B.C. softwood lumber production** totalled 2.45 million m^3, up 1.3% M/M and up 7.6% Y/Y. 89.7% of the production was from the Interior.
- In August 2011, **B.C. softwood lumber exports value** totalled $282 million, up 0.7% Y/Y. **B.C. softwood lumber exports volume** totalled 1.81 million m^3, up 8.5% Y/Y. The top three destinations for softwood lumber exports in August 2011 were: U.S. (value: 41.9%; volume: 48.8%), China (value: 29.6%; volume: 32.5%), and Japan (value: 16.1%; volume: 10.6%).

Common Abbreviations:

**$** - Canadian dollars unless noted as US$
M/M - % change from the previous to current month
Y/Y - % change from the same month in the previous year to the current year
YTD - year to date
China - refers to China, including Hong Kong

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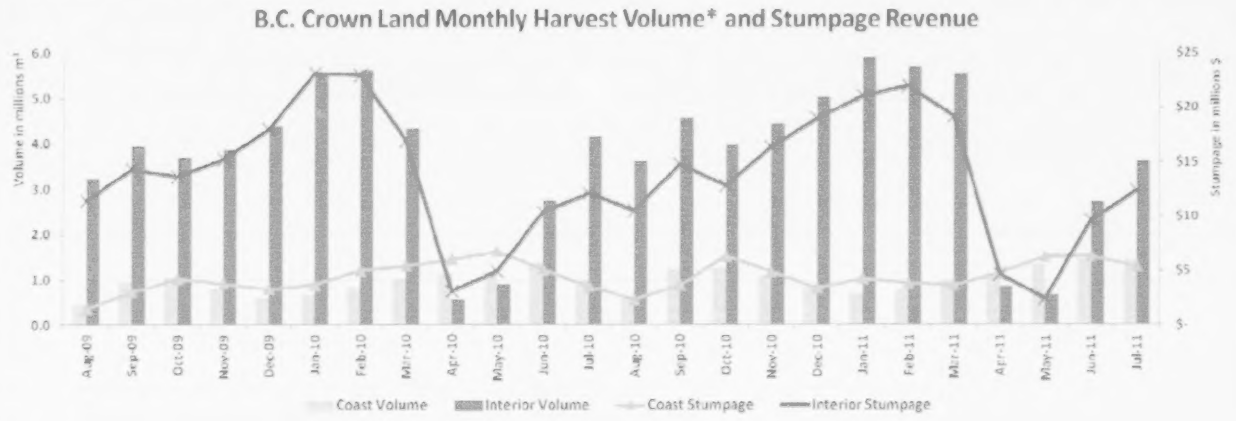
HARVESTING



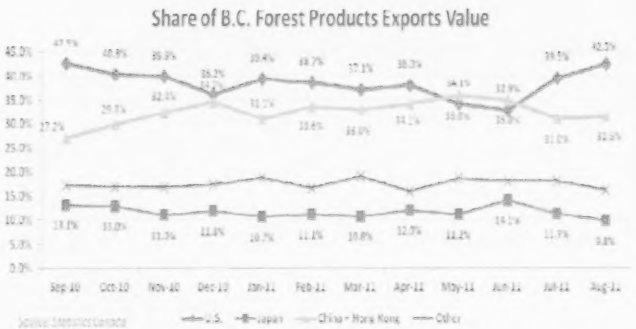
Data source: Harvest Billing System of Ministry of Forests, Lands and Natural Resource Operations.

**Based on scale dates, all logs (BCTS & Major), special forest products, species and grades billed to Crown land excluding waste, reject and Christmas trees. Data in recent months is subject to change.*

COAST **harvest volume** for all land (including Crown, private and federal) totalled 1.88 million m³ in July 2011, up 38.5% Y/Y. Crown land harvest volume totalled 1.44 million m³, up 41.6% Y/Y. **Stumpage revenue** collected was $5.40 million in July 2011, up 52.1% Y/Y.

INTERIOR **harvest volume** for all land (including Crown, private and federal) totalled 3.69 million m³ in July 2011, down 15.0% Y/Y. Crown land harvest volume totalled 3.60 million m³, down 13.6% Y/Y. **Stumpage revenue** collected was $12.33 million in July 2011, up 2.1% Y/Y.

EXPORTS



B.C. forest product exports totalled $767 million in August 2011, down 3.8% M/M, up 2.1% Y/Y, and up 10.2% YTD from 2010:

- **Wood products exports** totalled $433 million in August, down 3.6% M/M, up 3.1% Y/Y, and up 11.1% YTD from 2010; and
- **Pulp & paper products exports** totalled $334 million in August, down 4.0% M/M, up 0.9% Y/Y, and up 9.0% YTD from 2010.
- **Exports value shares by product** in August 2011: Softwood Lumber (36.7%), Logs (5.2%), Other Wood Products (14.6%), Pulp (31.9%), and Other Pulp & Paper Products (11.6%).

In August 2011, **U.S. was the largest destination market** for B.C. forest product exports value with a share of 42.5%, while China accounted for 31.6%, Japan accounted for 9.8% and other destinations accounted for 16.1%.

- **Exports to U.S.** totalled $326 million, up 3.5% M/M, down 2.6% Y/Y and down 13.6% YTD from 2010.
- **Exports to China** totalled $242 million, down 2.1% M/M, up 39.5% Y/Y and up 78.6% YTD from 2010.
- **Exports to Japan** totalled $75 million, down 16.4% M/M, down 21.4% Y/Y and up 0.5% YTD from 2010.

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DATA SUMMARY

Monthly Economic Statistics - October 2011

	Latest Month		Month Ago	M/M Change	Year Ago	Y/Y Change	Current YTD	Previous YTD	YTD/YTD* Change
Lumber Prices *(US$/000 bd ft)*									
SPF 2x4	*Sep 11*	**$254**	$229	11.1%	$232	9.7%	$261	$250	4.2%
Random Lengths Lumber Composite	*Sep 11*	**$262**	$265	-0.8%	$250	5.2%	$276	$287	-3.8%
SPF 2x10	*Sep 11*	**$281**	$282	-0.2%	$315	-10.6%	$296	$316	-6.3%
SPF Stud	*Sep 11*	**$251**	$228	10.1%	$209	20.2%	$258	$257	0.3%
Cedar 2x4	*Sep 11*	**$630**	$630	0.0%	$650	-3.1%	$638	$650	-1.9%
Hemlock Squares	*Sep 11*	**$825**	$825	0.0%	$780	5.8%	$809	$782	3.5%
Panel Prices *(US$/000 sq ft)*									
Plywood	*Sep 11*	**$326**	$302	7.9%	$331	-1.5%	$306	$341	-10.1%
OSB	*Sep 11*	**$210**	$205	2.4%	$213	-1.4%	$203	$266	-23.6%
Pulp & Paper Prices *(US$/tonne)*									
NBSK Pulp	*Sep 11*	**$969**	$993	-2.3%	$972	-0.3%	$984	$920	7.0%
Newsprint (U.S. Eastcoast)	*Sep 11*	**$623**	$623	0.0%	$612	1.8%	$625	$568	10.0%
$/US$ Exchange Rate	*Sep 11*	**1.0012**	0.9828	1.9%	1.0331	-3.1%	0.9778	1.0359	5.6%
Housing Starts *(000 units)*									
U.S. (Seasonally Adjusted Annual Rates)	*Sep 11*	**658**	572	15.0%	597	10.2%	590	600	-1.7%
Canada	*Sep 11*	**208**	192	7.9%	185	12.0%	192	196	-2.1%
Japan (Wood-based)	*Aug 11*	**47**	48	-2.6%	42	11.5%	309	293	5.6%
B.C. Lumber Production *(000 m^3)*	*Jul 11*	**2,446**	2,416	1.3%	2,385	2.5%	16,962	15,764	7.6%
Coast	*Jul 11*	**251**	277	-9.2%	259	-3.1%	1,833	1,670	9.8%
Interior	*Jul 11*	**2,195**	2,139	2.6%	2,109	4.1%	15,129	14,258	6.1%
B.C. Market Pulp Shipments *(000 tonne)*	*Aug 11*	**343**	348	-1.4%	332	3.3%	3,001	2,752	9.0%
B.C. Forest Products Exports *(million $)*	*Aug 11*	**$767**	$797	-3.8%	$751	2.1%	$6,659	$6,044	10.2%
Wood Products	*Aug 11*	**$433**	$449	-3.6%	$420	3.1%	$3,768	$3,392	11.1%
Pulp & Paper products	*Aug 11*	**$334**	$347	-4.0%	$330	0.9%	$2,891	$2,652	9.0%
Shares of B.C. Forest Products Exports Value *(%)*									
U.S.	*Aug 11*	**42.5%**	39.5%	7.6%	44.6%	-4.7%	37.6%	47.9%	-21.6%
China + Hong Kong	*Aug 11*	**31.6%**	31.0%	1.8%	23.1%	36.8%	33.3%	20.5%	62.1%
Japan	*Aug 11*	**9.8%**	11.3%	-13.2%	12.8%	-23.1%	11.4%	12.5%	-8.8%
Other	*Aug 11*	**16.1%**	18.2%	-11.2%	19.5%	-17.5%	17.7%	19.0%	-6.8%
Market Shares of U.S. Lumber Consumption *(%)*									
B.C.	*Jul 11*	**14.7%**	12.8%	15.2%	17.0%	-13.5%	13.7%	17.3%	-20.9%
Rest of Canada	*Jul 11*	**12.4%**	11.1%	11.6%	10.3%	20.6%	11.7%	10.9%	7.7%
U.S.	*Jul 11*	**72.8%**	76.1%	-4.3%	72.6%	0.3%	74.6%	71.8%	3.9%
3rd Country	*Jul 11*	**0.9%**	1.4%	-32.4%	1.4%	-35.8%	1.3%	1.4%	-1.0%
B.C. Crown Land Scaled Volume** *(000 m^3)*	*Jul 11*	**5,045**	4,160	21.3%	5,188	-2.8%	32,774	31,220	5.0%
Coast	*Jul 11*	**1,444**	1,450	-0.5%	1,019	41.6%	7,817	7,289	7.2%
Interior	*Jul 11*	**3,601**	2,709	32.9%	4,168	-13.6%	24,957	23,931	4.3%
B.C. Stumpage *(million $)*	*Jul 11*	**$17.7**	$15.9	11.3%	$15.6	13.5%	$125.9	$129.3	-2.6%
Coast	*Jul 11*	**$5.4**	$6.3	-14.7%	$3.5	52.1%	$34.7	$35.6	-2.8%
Interior	*Jul 11*	**$12.3**	$9.6	28.4%	$12.1	2.1%	$91.2	$93.6	-2.6%
B.C. Forestry Employment (LFS) *(000 jobs)*	*Sep 11*	**55.2**	52.7	4.7%	53.6	3.0%	53.6	56.1	-4.6%
Forestry & Logging	*Sep 11*	**16.1**	15.6	3.2%	13.6	18.4%	13.6	17.8	-23.5%
Wood Products	*Sep 11*	**30.8**	29.0	6.2%	30.8	0.0%	30.4	28.2	7.7%
Paper Products	*Sep 11*	**8.3**	8.1	2.5%	9.2	-9.8%	9.5	10.1	-5.4%
B.C. Log Exports									
Volume (*000 m^3*)	*Aug 11*	**358**	364	-1.5%	376	-4.6%	3,667	2,559	43.3%
Value (*million $*)	*Aug 11*	**$39.7**	$41.1	-3.5%	$35.0	13.2%	$387.0	$255.2	51.7%

** based on calendar year, change % from the same year-to-date period of the previous. year to the year-to-date of current year.*

*** Preliminary data and subject to change.*

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